

# The Effect Of Financial Performance On Company Value With Sustainability Reporting As Mediating Variable ( An Empirical Study On Manufacturing Companies Listed On The IDX In 2021-2024)

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**Abstract**—This study aims to analyze the influence of financial performance on company value by reporting sustainability as a mediating variable in manufacturing companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange during the period 2021–2024. This study uses a quantitative approach with secondary data obtained from annual reports and company sustainability reports, with a sample of 34 companies selected through the purposive sampling method so that 136 observations were obtained. Financial performance is measured using Return on Assets (ROA), company value is proxied by Price to Book Value (PBV), and sustainability reporting is measured using the Sustainability Reporting Disclosure Index (SRDI). The analysis methods used include simple linear regression, multiple linear regression, and mediated analysis with the help of SPSS software. The results of the study show that financial performance has a positive and significant effect on the company's value, as well as a positive and significant effect on sustainability reporting even with a relatively low contribution. In addition, sustainability reporting has been shown to have a positive and significant effect on company value and is able to mediate the relationship between financial performance and company value. Since the direct influence of financial performance on the company's value remains significant after sustainability reporting is included as a mediating variable, it can be concluded that sustainability reporting acts as a partial mediation. These findings suggest that the increase in a company's value is not only determined by financial performance, but is also reinforced by the quality of the company's sustainability reporting disclosures.

**Keywords:** Financial Performance; Sustainability Reporting; Firm Value; Return on Assets; Mediation Analysis

## 1. INTRODUCTION

The development of the global economy in recent years is characterized by increasing international market integration, openness of cross-border capital flows, and acceleration of technological innovation that significantly affects business competition patterns and investment behavior. Globalization and digitalization have expanded investors' access to corporate information while increasing demands for corporate transparency and accountability. In this context, companies are no longer only required to demonstrate good financial performance in the short term, but also to be able to convey comprehensive and credible information regarding the long-term sustainability prospects of the business. Modern investors increasingly consider the quality of information presented by companies, both financial and non-financial, as the main basis for investment decision-making. (PwC, 2023) reports that more than 70% of global investors place the quality and credibility of company information as key factors in determining investment decisions, confirming that information transparency plays an important role as a signal for markets in assessing a company's performance and value.

The change in the business environment has also increased the intensity of competition in various industrial sectors, including the manufacturing sector. Manufacturing companies face market demand dynamics, changing consumer preferences, fluctuations in raw material prices, and increasingly complex operational cost pressures. The Food and Beverage sub-sector has relatively unique characteristics compared to other manufacturing sub-sectors because it is directly related to the needs of public consumption and is vulnerable to issues of food safety, product quality, and supply chain sustainability. This condition causes the stock price of Food and Beverage companies to tend to be more sensitive to changes in fundamental conditions and public perception. These stock price fluctuations reflect the market's response to the information that investors receive, both related to financial performance and the company's sustainable business practices.

Theoretically, the main goal of a company is to earn profits and maximize the company's value in the long run. A company's value reflects investors' level of confidence in management's ability to manage the company's resources effectively and sustainably (Olii et al., 2021) In the context of the capital market, a company's value is often associated with investors' perception of the future growth prospects and risks of the business. One of the commonly used indicators to measure a company's value is Price to Book Value (PBV), which is a ratio that compares the stock market price to the company's book value. A high PBV indicates a positive market assessment of the company's prospects, while a low PBV reflects low investor confidence or high risk perception (Susanti et al., 2020). Therefore, PBV is an important indicator in assessing the company's success in creating value for shareholders.

Financial performance is one of the main factors that affect a company's value because it reflects the company's ability to manage assets and capital to generate profits (Nurani & Maharani, 2025) Return on Assets (ROA) is often used as a proxy for financial performance because it is able to describe the efficiency of management in utilizing all of the company's assets to generate profits. Companies with high ROA are generally perceived to have good operational performance, more guaranteed cash flow stability, and relatively lower levels of business risk, making them more

attractive to investors (Yulianty & Nugrahanti, 2020). Thus, the improvement in financial performance is expected to encourage an increase in the company's value.

However, the results of empirical research on the relationship between financial performance and company value still show inconsistent findings. (Harymawan et al., 2020) found that profitability has a positive effect on company value, which shows that good financial performance is able to increase investor confidence. In contrast, (Sari, D., & Nugroho, 2021) reported that profitability had no significant effect on a company's value, indicating that investors do not always respond directly to financial performance. The inconsistency of the results of the study shows that there are other factors that have the potential to affect the relationship between financial performance and company value, so it needs to be studied further.

Along with the increasing demands for transparency and accountability, companies are also expected to convey non-financial information through sustainability reporting. Sustainability reports contain information about the company's economic, social, and environmental performance as a form of accountability to stakeholders (GRI, 2023). Sustainability reporting not only serves as a means of reporting, but also as a strategic communication tool to build a company's reputation and legitimacy. In Indonesia, the urgency of sustainability reporting has increased following the issuance of the Sustainability Reporting Guidelines by the Financial Services Authority (OJK) in 2022, which encourages public companies to prepare sustainability reports in a more systematic and structured manner to improve the quality of non-financial information disclosure and strengthen investor confidence.

A number of studies have shown that sustainability reporting has the potential to play a mediating variable in the relationship between financial performance and company value. Based on Signaling Theory, companies with superior financial performance have a strong incentive to convey positive signals to the market to differentiate themselves from companies with lower quality. Profitable companies not only have greater resource capacity, but also have a strategic drive to disclose quality sustainability information as a credible signal regarding long-term business sustainability, good corporate governance, and lower levels of risk.

In line with this view, (Rosa, 2025) states that companies with high levels of profitability tend to compile more comprehensive and quality sustainability reports, which in turn becomes a positive signal for investors (Nugroho & La Ode Sabaruddin, 2025) also found that sustainability reporting is able to mediate the influence of profitability on company value through increasing the company's reputation and legitimacy in the eyes of stakeholders. However, (Sari, D., & Nugroho, 2021) and (Rahmawati, I., & Wicaksono, 2022) concluded that sustainability reporting is often still symbolic and has not had a significant impact on company value. The differences in findings indicate that the effectiveness of sustainability reporting as a market signal is greatly influenced by the quality of disclosure and industry characteristics.

Based on this description, there are research gaps that need to be studied further, especially related to the inconsistency of the relationship between financial performance and company value and the role of sustainability reporting as a mediating variable, especially after the issuance of OJK regulations in 2022. In addition, research that specifically focuses on manufacturing companies in the Food and Beverage sub-sector is still relatively limited, even though this sub-sector has a high level of public exposure and faces increasingly complex sustainability issues. Therefore, this study aims to analyze the influence of financial performance on company value with sustainability reporting as a mediating variable in manufacturing companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange during the 2021–2024 period. This research is expected to make an empirical contribution to the development of accounting and financial literature, provide practical implications for management and investors in decision-making, and be a consideration for regulators in encouraging more effective and quality sustainability reporting practices

## 2. RESEARCH METHODS

### 2.1 Research Types and Population Overview (Objects)

This study uses a quantitative method with a correlation type of causal associative research to objectively test the cause-effect relationship between variables through statistical analysis. This approach aims to analyze the influence of financial performance on company value by sustainability reporting as a mediating variable based on empirical data without directly intervening in the research object (Scott, 2013). (Creswell, 2014). The data used is secondary data in the form of financial statements and sustainability reports of manufacturing companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange for the 2021–2024 period. The research population includes all companies in the sub-sector, which are selected because of their industry characteristics that have a high level of exposure to sustainability issues such as food safety, resource use, and environmental impact, so that sustainability reporting is an important aspect in assessing company performance and value (Ghozali, 2018)

### 2.2 Sampling Techniques

The selection of samples for this study was carried out by paying attention to the specific attributes of the population through purposive sampling techniques (Scott, 2021). This method provides flexibility to the researcher to determine the sample based on the right criteria according to the research objectives. The selected sample involves companies in the Food and Beverage sector that have been listed on the Indonesia Stock Exchange (IDX) in the period 2021 to 2024.

**Table 1.** Sample Criteria

Sample Criteria	Quantity
Manufacturing companies in the food & beverage sector listed on the IDX in 2021–2024.	83
manufacturing companies that have been delisted from the IDX	(8)
Manufacturing companies that do not publish sustainability reporting	(41)
Total Sample	34
Research Period	4
Number of Research Sample Data	136

Source: from the IDX website, data is compiled by researchers in 20 25

### 2.3 Data Types and Data Collection Techniques

This study uses secondary data obtained from the annual financial statements and sustainability reports of manufacturing companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange for the period 2021–2024. The data collection technique is carried out through documentation, namely by downloading and collecting official company reports available on the Indonesia Stock Exchange website and the official website of each company. The data used is data that has been published and audited, so that it can be scientifically accounted for.

### 2.4 Research Variables and Operational Definitions

#### 2.4.1 Financial Performance (Independent Variable)

Financial performance reflects a company's ability to manage economic resources effectively and efficiently to achieve the company's goals. (Kasmir., 2014) and (Nopiana, 2025) stated that financial performance can be assessed through the analysis of financial statements that describe the company's profitability, liquidity, solvency, and activities (Brigham & Houston, 2019)) emphasize that financial performance plays an important role in creating company value because it reflects management's success in maximizing shareholder wealth. Financial performance information also serves as a signal for investors in assessing the quality and future prospects of the company (Ghozali, 2021). In this study, financial performance is measured using the Return on Assets (ROA) ratio because ROA shows the ability of assets to generate net profits.

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Assets}} \times 100\% \tag{1}$$

#### 2.4.2 Company Value (Dependent Variable)

The value of a company reflects investors' perception of the company's performance, prospects, and governance which is reflected in the stock price in the capital market (Brigham & Houston, 2022) state that company value indicates the success of management in maximizing shareholder wealth. The value of a company is not only influenced by financial factors, but also by non-financial factors such as transparency, social responsibility, and sustainability practices that increase investor confidence (Hermuningsih, 2020). The value of companies in this study is measured using Price to Book Value (PBV) because it reflects the market assessment of the company's book value

$$PBV = \frac{\text{Stock Price}}{\text{Book Value per Share}} \tag{2}$$

#### 2.4.3 Sustainability Reporting (Mediating Variable)

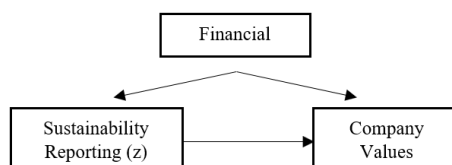
Sustainability reporting is a report that presents information about the company's economic, social, and environmental performance as a form of accountability to stakeholders. According to GRI (2021), sustainability reports reflect a company's commitment to ethical and sustainable business practices. The GRI Standards are used as disclosure guidelines, while disclosure rates are measured by the Sustainability Reporting Disclosure Index (SRDI). The disclosure of the Sustainability Report is calculated using the following SRDI calculation formula:

$$SRDI = \frac{n}{k} \tag{3}$$

n = number of items disclosed

k = maximum number of items as per GRI standards

### 2.5 Frame of mind



**Figure 1.** Research Framework

## 2.6 Research Hypothesis

Based on the research objectives and the framework of thought that has been prepared, the hypotheses tested in this study are as follows:

H1: Financial performance has a positive effect on the company's value.

H2: Financial performance has a positive effect on sustainability reporting.

H3: Sustainability reporting has a positive effect on company value.

H4: Sustainability reporting mediates the influence of financial performance on company value.

## 2.7 Technical data collection

The data collection technique in this study uses a documentation method by utilizing quantitative secondary data in the form of annual reports and sustainability reports of manufacturing companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange for the 2021–2024 period. Data is obtained from the official website of the Indonesia Stock Exchange and the company's official website, where the annual report is used to obtain data on the company's financial performance and value, while the sustainability report is analyzed to measure sustainability reporting based on the guidelines of the Global Reporting Initiative (GRI Standards). The collected data is then extracted, coded according to the research indicators, verified to ensure accuracy and consistency, and compiled in the form of data panels to support statistical analysis and hypothesis testing

## 2.8 Data Analysis Techniques

The data analysis technique in this study uses the help of SPSS software version 25. The analysis begins with descriptive statistics to describe the characteristics of the research data which include minimum, maximum, average, and standard deviation values. Furthermore, a classical assumption test was carried out consisting of a normality test, a multicollinearity test, a heteroscedasticity test, and an autocorrelation test using Durbin–Watson to ensure that there was no residual correlation between observation periods, considering that this study used panel data with several years of observation at the same company. Hypothesis testing was carried out through a partial test (t-test) to determine the influence of each independent variable on the dependent variable and a simultaneous test (F test) to assess the feasibility of the regression model as a whole, with a significance level of 5% ( $\alpha = 0.05$ ).

# 3. RESULTS AND DISCUSSION

## 3.1 Descriptive statistical analysis

**Table 2.** Descriptive Statistics

	N	Minimum	Maximum	Network	Std. Deviation
Financial Performance (ROA)	136	-.34	.94	.0621	.12149
Company Value (PBV)	136	-12.50	35.50	3.5316	5.75006
Sustainability Disclosure (GRI)	136	.00	1.00	.1660	.26551
Valid N (listwise)	136				

Based on the results of descriptive statistics, the number of observations used in this study was 136 data. The financial performance variable (ROA) has a minimum value of -0.34 and a maximum value of 0.94, with an average value of 0.0621 and a standard deviation of 0.12149. This shows that in general, the sample company is able to generate profits from the assets it owns, although there are variations in performance between companies. The company value variable (PBV) has a minimum value of -12.50 and a maximum value of 35.50, with an average value of 3.5316 and a standard deviation of 5.75006, which indicates a fairly high difference in market valuation of companies in the research sample. Meanwhile, the sustainability disclosure variable (GRI) has a minimum value of 0.00 and a maximum of 1.00, with an average value of 0.1660 and a standard deviation of 0.26551, which shows that the level of disclosure of the company's sustainability reporting is still relatively low and uneven. Overall, the results of these descriptive statistics illustrate the variation in financial performance characteristics, sustainability disclosure levels, and company values in the Food and Beverage sub-sector manufacturing companies that are the object of the study.

## 3.2 Classical Assumption Test

Before performing multiple linear regression analysis, a classical assumption test is first performed to ensure that the regression model meets the criteria of the Best Linear Unbiased Estimator (BLUE). A good regression model must be free from violations of classical assumptions in order for the estimated results obtained to be valid, reliable, and unbiased (Gujarati, D., & Porter, 2013)

**Table 3.** One-Sample Kolmogorov-Smirnov Tests

	Unstandardized Residual
N	136

		Unstandardized Residual
Normal Parameters, b	Network	.0000000
	Std. Deviation	.71933025
Most Extreme Differences	Absolute	.064
	Positive	.064
	Negative	-.062
Test Statistic		.064
Asymp. Sig. (2-tailed)		.200c,d

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Based on the results of the classical assumption test, the normality test using the One-Sample Kolmogorov–Smirnov Test shows the value of Asymp. Sig. (2-tailed) of 0.200 which is greater than 0.05, so it can be concluded that the residual data is normally distributed. Furthermore, the multicollinearity test showed that the variables of financial performance (ROA) and sustainability disclosure (GRI) had a tolerance value of 0.972 and a Variance Inflation Factor (VIF) value of 1.029, which indicated the absence of multicollinearity between independent variables in the regression model. In addition, the results of the heteroscedasticity test using the Glejser method showed a significance value of ROA of 0.055 and a GRI of 0.093, both of which were greater than the significance level of 0.05, so it can be concluded that the regression model did not experience symptoms of heteroscedasticity. With all of these classical assumptions being fulfilled, the regression model is declared feasible for further hypothesis testing.

### 3.3 Coefficient of Determination Test (R<sup>2</sup>)

**Table 4.** Model Summary

Models	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.695a	.483	.475	.7247186	1.012

a. Predictors: (Constant), Zscore: Sustainability Disclosure (GRI), Zscore: Financial Performance (ROA)

b. Dependent Variable: Zscore: Company Value (PBV)

An R Square value of 0.483 indicates that financial performance (ROA) and sustainability disclosure (GRI) are able to explain 48.3% of the company's value variation (PBV), while the remaining 51.7% is influenced by other variables outside the model. The Adjusted R Square value of 0.475 indicates that the model is quite good. Meanwhile, the Durbin–Watson value of 1.012 indicates a mild positive autocorrelation indication.

### 3.4 Model Feasibility Test (TEST F)

**Table 5.** ANOVA

Models		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	65.146	2	32.573	62.018	.000b
	Residual	69.854	133	.525		
	Total	135.000	135			

a. Dependent Variable: Zscore: Company Value (PBV)

b. Predictors: (Constant), Zscore: Sustainability Disclosure (GRI), Zscore: Financial Performance (ROA)

Based on the results of the F test shown in the ANOVA table, an F value of 62.018 was obtained with a significance level of 0.000 which is smaller than 0.05. This shows that financial performance (ROA) and sustainability disclosure (GRI) simultaneously have a significant effect on company value (PBV). Thus, the regression model used in this study is declared feasible (fit) to explain the relationship between independent variables and dependent variables. These results indicate that the combination of financial performance and sustainability reporting together can affect the company's value, so further hypothesis testing can be carried out using the regression model.

### 3.5 Hypothesis test (t-test)

**Table 6.** Hypothesis test (t-test)

Models	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Beta			Tolerance VIVID
1 (Constant)	-3.625E-16	.062	.000	1.000	

Zscore: Financial Performance (ROA)	.621	.063	.621	9.822	.000	.972	1.029
Zscore: Sustainability Disclosure (GRI)	.223	.063	.223	3.525	.001	.972	1.029
a. Dependent Variable: Zscore: Company Value (PBV)							

Hypothesis testing in this study was carried out to determine the influence of financial performance and sustainability reporting disclosure on company value, as well as the role of sustainability reporting as a mediating variable.

### 3.5.1 First Hypothesis Test

The Influence of Financial Performance on Company Value, Based on the results of the partial t-test, a significance value (Sig.) of 0.000 was obtained, which is smaller than the significance level of  $\alpha = 0.05$ . In addition, the calculated t-value of 9.822 is greater than the t-value of the table, so statistically the null hypothesis is rejected and the alternative hypothesis is accepted. Thus, Hypothesis 1 (H1) is accepted, which means that financial performance proxied with Return on Assets (ROA) has a positive and significant effect on the company's value (PBV).

This result shows that the higher the company's ability to generate profits from the assets it owns, the higher the company's value in the eyes of investors. ROA reflects the effectiveness of management in managing the company's resources, so the increase in ROA gives a positive signal regarding the company's prospects and encourages an increase in the company's value.

### 3.5.2 Second Hypothesis Test

The Effect of Sustainability Reporting Disclosure on Company Value, The results of the partial t-test showed that the sustainability reporting disclosure variable had a significance value (Sig.) of 0.001, which was smaller than the value of  $\alpha = 0.05$ , and the calculated t-value of 3.525 which was greater than the t-value of the table. Based on these results, the null hypothesis is rejected and the alternative hypothesis is accepted, so Hypothesis 2 (H2) is accepted.

Thus, it can be concluded that the disclosure of sustainability reporting has a positive and significant effect on the company's value. These findings indicate that the more extensive and transparent the disclosure of sustainability information by a company, the higher investor confidence, which ultimately has an impact on increasing the company's value.

### 3.5.3 H3 Hypothesis Test

The Influence of Financial Performance and Sustainability Reporting on Company Value, Based on the results of multiple linear regression, it is known that the financial performance variables (ROA) and sustainability reporting (GRI) partially have a significance value of less than 0.05. This shows that these two variables together have a significant effect on the company's value.

Thus, Hypothesis 3 (H3) is accepted, which means that financial performance and sustainability reporting are important factors that simultaneously affect the company's value. These results confirm that investors' assessment of the company is not only based on financial aspects, but also considers non-financial aspects in the form of sustainability disclosures.

### 3.5.4 Fourth Hypothesis Test

The Role of Sustainability Reporting as a Mediation Variable, Hypothesis 4 testing was conducted to examine whether sustainability reporting mediates the effect of financial performance on firm value. The regression results indicate that financial performance has a positive and significant effect on sustainability reporting, and sustainability reporting has a positive and significant effect on firm value. Furthermore, financial performance remains significant in influencing firm value after the sustainability reporting variable is included in the regression model, indicating the possibility of partial mediation.

**Table 7.** Sobel Test Results

Sobel test statistic:	5.25961135
Std Error:	0,063
P-Value:	0,00000014

To confirm the significance of the indirect effect, this study employs the Sobel test as a formal mediation testing method. The Sobel test results show a Sobel test statistic of 5.2596, with a standard error of 0.063 and a p-value (two-tailed) of 0.00000014, which is smaller than the significance level of 0.05. These results indicate that the indirect effect of financial performance on firm value through sustainability reporting is statistically significant.

Therefore, sustainability reporting is proven to act as a partial mediating variable in the relationship between financial performance and firm value. This finding implies that financial performance directly affects firm value, while sustainability reporting strengthens this relationship indirectly by enhancing corporate transparency and increasing investor confidence. Thus, Hypothesis 4 (H4) is accepted.

### 3.6 Discussion

The results of the study show that financial performance proxied with Return on Assets (ROA) has a positive and significant effect on the value of companies proxied with Price to Book Value (PBV), so that the first hypothesis (H1) is accepted. These findings indicate that companies with better ability to generate profits from the assets they own tend to obtain a higher market valuation. This result is in line with the research of Harymawan et al. (2020) and Yulianty and Nugrahanti (2020) who stated that profitability is a positive signal for investors in assessing the company's prospects, as explained in signaling theory.

Furthermore, financial performance has also been proven to have a positive and significant effect on sustainability reporting, so the second hypothesis (H2) is accepted. However, the relatively small value of the determination coefficient suggests that the ability of financial performance to explain variations in sustainability disclosures is still limited. These findings support Rosa's (2025) research which states that companies with high levels of profitability have greater capacity in compiling sustainability reports, but disclosure decisions are also influenced by other factors such as regulatory pressures, stakeholder expectations, and corporate reputation.

The results of the third hypothesis (H3) test show that sustainability reporting has a positive and significant effect on company value. This indicates that sustainability disclosure is able to increase investor confidence through increased transparency and company legitimacy, in line with the findings of Nugroho and Sabaruddin (2025). In addition, the results of the mediation analysis show that sustainability reporting has been proven to be able to mediate the relationship between financial performance and company value, so the fourth hypothesis (H4) is accepted. These findings reinforce the argument that the increase in corporate value is not only determined by financial aspects, but is also reinforced by the quality of non-financial disclosures that are relevant to stakeholders, particularly in the Food and Beverage sector which has a high level of sustainability exposure.

Based on the results of the classical assumption test, the Durbin–Watson value of 1.012 indicates a positive autocorrelation indication, as the value is below the lower limit (dL) for a sample of 136 with two predictor variables. Positive autocorrelation has the potential to cause the standard error value to be smaller and the statistical value t to be larger, so that the significance test results can be seen to be more significant than the actual condition if not corrected. Therefore, the interpretation of the results of this study was carried out carefully. Further research is recommended to use more precise estimation methods, such as the application of Newey–West standard error correction (HAC) or the Cochrane–Orcutt method, as well as the panel data regression approach with robust standard errors, in order to obtain more reliable and accurate estimation results

## 4. CONCLUSION

This study aims to analyze the influence of financial performance on company value with sustainability reporting as a mediating variable in manufacturing companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange during the period 2021–2024. The results of the study show that financial performance proxied with Return on Assets (ROA) has a positive and significant effect on the company's value. In addition, ROA also has a positive and significant effect on sustainability reporting. However, the value of the determination coefficient ( $R^2$ ) in the ROA's influence pathway on sustainability reporting is relatively low, suggesting that despite the statistically significant financial performance, its ability to explain variations in sustainability reporting disclosure is still limited. These findings indicate that sustainability reporting practices are not only determined by the company's financial capabilities, but are also strongly influenced by external factors, such as regulatory obligations (e.g. OJK policies related to sustainability reporting), pressure from stakeholders, and the company's efforts to maintain legitimacy and reputation. Furthermore, sustainability reporting has been proven to have a positive and significant effect on company value and is able to mediate the relationship between financial performance and company value. This confirms that non-financial information has an important role in increasing transparency, company legitimacy, and investor trust.

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